

6-15-86

NONCOAL
(February 1986)

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 538-5340

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between W. K. ENTERPRISES (hereinafter referred to as "OPERATOR") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, OPERATOR has obtained Program Permit No. ACT/037/022 (hereinafter referred to as "Permit") from the Division to conduct mining and reclamation activities at the Small Fry Mine in San Juan County, Utah, as a mine under the Utah Mined Land Reclamation Act, Utah Code Annotated, 40-8-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, OPERATOR wishes to obtain a bond under 40-8-14(3); and

WHEREAS, OPERATOR has provided a Savings Certificate issued by First Western National Bank (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

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NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, OPERATOR does hereby agree to be held and firmly bonds to the Division for the sum of \$12,000.00 (1991 dollars) for the timely performance of reclamation responsibilities for Permit No. ACT/037/022 in lawful money of the United States. By the submission of this Collateral Bonding and Indemnity Agreement will and truly binds itself, its successors and assigns, jointly and severally, by the conditions of this Agreement.

The conditions of the above obligations are such that:

1. OPERATOR shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. ACT/037/022 issued by the Division.
2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. ACT/037/022 for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. ACT/037/022 issued by the Division.

3. OPERATOR does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of OPERATOR's failure to abide by the term and conditions of the Mining and Reclamation Plan as set forth in Permit No. ACT/037/022 and from any failure to comply with the terms of this Agreement.
4. Upon successful completion of part or all of the obligations secured hereby, OPERATOR may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of OPERATOR under the Act, regulations adopted pursuant thereto and Permit No. ACT/037/022 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release OPERATOR from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division.
5. This agreement shall be reviewed periodically by the Division, or reviewed upon petition by OPERATOR, in accordance with the Act and implementing regulations and

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Patricia H. Holzapfel
Notary Public
Residing at: Moab, Utah

My Commission Expires:

3/28/88

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 11th day of August, 1986, personally appeared before me Gregory P. Williams, who being by me duly sworn did say for himself, that he, the said Gregory P. Williams is the Chairman of the Board of Oil, Gas and Mining, Department of Natural Resources, state of Utah, and he duly acknowledged to me that said Board executed the foregoing document by authority of law on behalf of the state of Utah.

Marjorie L. Anderson
Notary Public
Residing at: Salt Lake City, Utah

My Commission Expires:

July 24, 1989

*** BONDING ESTIMATE - DIVISION OF OIL, GAS AND MINING ***
 W.K. ENTERPRISES, SMALL FRY MINE ACT/037/022

UNIT COST REFERENCE FOR BOND ESTIMATE:
 JOB

COST /UNIT MEANS #

A. MISC. DEMOLITION & REMOVAL	\$4.59 /YD3	0100
B. CONCRETE	\$5.94 /YD3	5100
C. 4" CONCRETE SLAB	\$2.90 /FT2	0100+9100
D. 6" CONCRETE SLAB	\$3.83 /FT2	0650+9100
I. BACKFILLING W/COMPACTION	\$1.33 /YD3	5220+5060
J. BACKFILL PORTALS	\$1,250.00 /EA	[AML COSTS]

II. EQUIPMENT COSTS INCLUDING OPERATOR [BLUE BOOK EQPT. RATES; MEANS OPERATOR COSTS]:

EQUIPMENT	EQUIPMENT MONTHLY RATE	ADJ. RATE /HR	MAINT /HR	OPERATOR /HR	TOTAL COST/HR
A. D9 DOZER CAT D9L	\$16,455.00	\$93.49 /HR	\$43.75 /HR	\$28.20	\$165.44
B. D6 DOZER CAT D6D	\$6,005.00	\$34.12 /HR	\$13.80 /HR	\$28.20	\$76.12
C. 7YD LOADER CAT. 988B	\$12,260.00	\$69.66 /HR	\$43.35 /HR	\$28.20	\$141.21
D. 20YD TRUCK	\$4,715.00	\$26.79 /HR	\$20.55 /HR	\$23.80	\$71.14
E. 20YD SCRAPER CAT. 627B	\$14,000.00	\$79.55 /HR	\$42.40 /HR	\$28.20	\$150.15
F. FARM TRACTOR CASE 580D	\$1,060.00	\$6.02 /HR	\$4.60 /HR	\$28.20	\$38.82
G. GRADER CAT 14"G"	\$8,310.00	\$47.22 /HR	\$18.65 /HR	\$28.20	\$94.07
H. 4X4 PICKUP TRUCK	\$510.00	\$2.90 /HR	\$7.85 /HR	\$23.05	\$33.80
I. 30TON CRANE BANTAM T-888B	\$8,775.00	\$49.86 /HR	\$20.80 /HR	\$30.50	\$101.16
J. TRACTOR-TRAILER 40TON CAP.	\$4,475.00	\$25.43 /HR	\$15.00 /HR	\$23.80	\$64.23
K. COMMON LABORER				\$23.05	\$23.05

JOB	MATERIAL	EQUIPMENT	ACRES	QUANTITY	UNITS	PROD.	UNITS	COST /UNIT	TOTAL COST
I. SITE COST ESTIMATE									
DISMANTLING AND SITE CLEANUP:									
STRUCTURE REMOVAL		LOADER		8	HRS		1	\$141.21 /HR	\$1,129.67
		TRACTOR-TRAILER		8	HRS		1	\$64.23 /HR	\$513.81
		LABORERS		16	HRS		1	\$23.05 /HR	\$368.80
MISC. DEMOLITION AND REMOVAL				80	YD3		1	\$4.59 /YD3	\$367.20
SUBTOTAL DISMANTLING & CLEANUP -									\$2,379.48
SHAFT CAPPING:									
CONCRETE CAP	CONCRETE/FORMS			5	YD3		1	\$250.00 /YD3	\$1,250.00
EARTHWORK & GRADING:									
PORTAL CLOSURES		D6 DOZER		20	HRS		1	\$76.12 /HR	\$1,522.39
BACKFILLING AND COMPACTION				1	EA		1	\$1,250.00 /EA	\$1,250.00
				2300	YD3		1	\$1.33 /YD3	\$3,059.00
SUBTOTAL EARTHWORK & GRADING -									\$5,831.39
REVEGETATION:									
SCARIFICATION		FARM TRACTOR	4.00	5.00	AC	0.5	AC/HR	\$38.82 /HR	\$388.23
FERTILIZATION	FERTILIZER		5.00	5.00	AC	0.008	AC/LB	\$0.34 /LB	\$212.50
SOIL ANALYSIS				4	SAMPLES	1		\$100.00 /SAMPL	\$400.00
SEEDING		FARM TRACTOR	5.00	5.00	AC	0.5	AC/HR	\$38.82 /AC	\$388.23
SEED	SEED		5.00	5.00	AC	1		\$120.00 /AC	\$600.00
MULCHING	HAY MULCH		5.00	5.00	AC	0.66666	AC/TON	\$100.00 /TON	\$750.00
SUBTOTAL REVEGETATION -									\$2,738.95
TOTAL SITE COST ESTIMATE -									\$9,427.44
RECLAMATION MAINTENANCE AND MONITORING:									
REPAIR RILLS & GULLIES		FARM TRACTOR		4	HRS		1	\$76.12 /HR	\$304.48
REVEGETATION (20% OF TOTAL AREA)									
FERTILIZATION	FERTILIZER		1.00	1.00	AC	0.008	AC/LB	\$0.34 /LB	\$42.50
SOIL ANALYSIS				1	SAMPLES	1		\$100.00 /SAMPL	\$100.00
DRILL SEEDING		FARM TRACTOR	1.00	1.00	AC	0.5	AC/HR	\$76.12 /AC	\$152.24
SEED	SEED		1.00	1.00	AC	1		\$120.00 /AC	\$120.00
MULCHING	HAY MULCH		1.00	1.00	AC	0.66666	AC/TON	\$100.00 /TON	\$150.00
TOTAL MAINTENANCE -									\$869.22
SUBTOTAL -									\$10,296.65
10% CONTINGENCY AND ENGINEERING COSTS									\$1,029.67
SUBTOTAL IN 1986 DOLLARS									\$11,326.32
SUBTOTAL WITH ESCALATION @ 1.62% /YR FOR 5 YEARS (1991 DOLLARS) -									\$12,273.96
TOTAL BOND AMOUNT ESTIMATED TO THE NEAREST \$1,000 IN 1991\$ -									\$12,000